

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
June 3, 2013**

CALL TO ORDER

Mayor Martin called the regular meeting of the Shoreview City Council to order at 7:00 p.m. on June 3, 2013.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Johnson, Quigley and Wickstrom.

Councilmember Withhart was absent.

APPROVAL OF AGENDA

Mayor Martin requested a brief discussion of scheduling during the week of July 4th.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Johnson to approve the June 3, 2013 agenda as submitted.

VOTE: Ayes - 4 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

There were none.

COUNCIL COMMENTS

Mayor Martin:

The Farmer's Market will open Tuesday, June 11th, in the lower parking lot. The first week is a tribute to John Steiner and his squeeze box. There will be a different feature every week.

Wednesday, June 12th, at 7:00 will be the first of the Concert in the Commons Series with Don Perry and Ice Cream. The Shoreview Community Foundation will be giving out free ice cream. There will be 10 concerts this summer. The schedule is posted on the City website.

Councilmember Wickstrom:

Beyond the Yellow Ribbon will hold its monthly “Build a Burger” event on Monday, June 10, 2013, at the VFW in White Bear Lake, from 5:00 to 8:00 p.m. All are encouraged to attend and support military families.

The Metropolitan Council is holding the second of three sessions on “Our Water Our Future.” It will also be on Monday, June 10, 2013, from 6:00 to 8:00 p.m. at Century College in White Bear Lake. The topic for this session is “Our Water Use and Lake Levels.”

Councilmember Johnson:

On Thursday, June 6, 2013, the City Council and Economic Development Commission will host a business gathering at the Hilton Garden Inn. This is an opportunity for local businesses to meet City officials and other community business owners.

Citizens are now able to join the Ramsey County Sheriff’s Department program, Code Red, on their website to be informed about personal safety precautions.

A reminder to everyone that there is no parking on City streets from 2:00 a.m. to 5:00 a.m. The City does offer special overnight parking. Residents can work with staff to obtain a permit, if needed.

CONSENT AGENDA

Mayor Martin pulled item No. 10, Liquor License Renewal for Red Ginger China Bistro, for a brief discussion. Compliance questions raised at the last meeting regarding this license have been resolved. Red Ginger is changing the type of license applied for and will be in compliance when it is approved.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to approve the Consent Agenda for June 3, 2013, and all relevant resolutions for item Nos. 1 through 10:

1. May 13, 2013 City Council Workshop Meeting Minutes
2. May 20, 2013 City Council Meeting Minutes
3. Receipt of Committee/Commission Minutes:
 - Economic Development Authority, April 8, 2013
 - Economic Development Commission, April 16, 2013
 - Park and Recreation Commission, April 25, 2013
 - Economic Development Authority, May 13, 2013
 - Public Safety Committee, May 16, 2013

4. Verified Claims in the Amount of \$675,983.82
5. Purchases
6. License Applications
7. Approval of Application to Conduct Excluded Bingo - Slice of Shoreview
8. Amended Resolution - Vacation of Owasso Street, Lakeview Terrace, 3588 Owasso Street
9. Site and Building Plan Review - RJ Marco Construction, 577 Shoreview Park Road
10. Approval of Liquor License Renewal - Red Ginger China Bistro

VOTE: Ayes - 4 Nays - 0

PUBLIC HEARINGS

There were none.

GENERAL BUSINESS

PRELIMINARY PLAT/AMENDMENT PLANNED UNIT DEVELOPMENT, DEVELOPMENT STAGE

Presentation by City Planner Kathleen Nordine

Revisions to the plat require an amendment to the Planned Unit Development (PUD). The property is zoned C1, Commercial. The proposed preliminary plat would divide the Target property into three parcels. It is currently two parcels. Lot 1 would consist of 12.29 acres for the Super Target Store and parking. Lot 2 would be 1.14 acres for a parking area for future development. Outlot A is less than an acre for a storm water pond that will be conveyed to the City and will address runoff from the Red Fox Road improvement project. The proposal complies with City Code and Commercial District standards. Easements are required for storm water infrastructure and along bordering roads--Lexington, Red Fox and South Access Road. Other easements will be vacated with the Final Plat.

Parking for Super Target has 855 stalls. With this amendment, there would be 765 stalls, which is less than the required 806 stalls. Target states that an analysis of parking shows that at peak demand 544 stalls are needed. The Development Code does allow exceptions when the developer can demonstrate that less parking is needed. Staff believes this evidence has been provided and flexibility from parking requirements is justified.

With the plat revisions, the freestanding Target sign would be located on Lot 2, which makes it an off-site sign not permitted by Code. Target is proposing an easement agreement with Lot 2 to retain the sign. Staff believes that is an acceptable solution.

There would be no change to the amount of impervious surface coverage. Snow removal has been to Red Fox Road and South Access Road. With the City improvements to Red Fox Road, Target is requesting relief from the requirement to use it for snow removal.

In 2000, when Target expanded, retail hours were limited to 7:00 a.m. to 12:00 p.m. Truck traffic and deliveries were restricted between the hours of 12:00 p.m. and 5:00 a.m. Target has requested relief from these restrictions due to the current retail market. Nearby Island Lake residential property owners have expressed concern about the noise related to truck traffic. Staff believes it is reasonable to lift restrictions for the hours of retail. It is recommended that delivery hours remain the same.

The Planning Commission held a public hearing on this application at its last meeting and approved it on a 5 to 0 vote with staff recommendations.

Residents within 350 feet were notified. Comments of concern were submitted regarding truck traffic noise on Lexington and South Access Road, and on the future use of Lot 2. Ramsey County Parks was also notified and had no concerns.

Staff is recommending approval of the preliminary plat and the PUD amendment with the staff recommendations and conditions of approval listed in the staff report.

Councilmember Wickstrom asked if the south entrance could be restricted to right-in-right-out. Left turns are dangerous, and there have been accidents. Ms. Nordine stated that specific change has not been discussed. It would have to be done through Ramsey County.

Mayor Martin responded that once the Red Fox Road improvements are completed, she believes the South Access Road exit point will be relieved. However, temporary measures perhaps should be pursued with Ramsey County during the construction period of Red Fox Road.

Councilmember Quigley noted that there is significant development proposed for the west side of Lexington and until that is completed, it would be difficult for Ramsey County to respond to a request to change access on the South Access Road.

Public Works Director Maloney stated that Ramsey County is analyzing traffic on Lexington. Actual data on turning movements would be needed to request a change on the South Access Road.

Planning Commissioner Elizabeth Thompson stated that regarding hours of delivery restrictions, Commissioners proposed access from the north to mitigate noise but were advised that there could be more noise in maneuvering trucks. The Commission also emphasized compliance with landscaping plans and that landscaping be well maintained.

Councilmember Johnson stated that due to her employment with Target, she would abstain from voting on this matter.

City Attorney Kelly stated that four votes are needed for the PUD Amendment. A conflict of interest is a matter of interpretation. If there is a personal or financial gain, there is a definite conflict. As to being an employee, there is a possibility that employment is guaranteed because of this vote. The Council has an excellent record of transparency, and he would advise on the side of conservative caution.

If anyone were to raise the issue, it puts the City in a position of defense.

Mayor Martin stated that the Council can take action on the preliminary plat but would have to wait for a full Council to take action on the PUD Amendment at the next possible meeting. She opened the discussion to public comment.

Mr. John Dietrich, Target Corporation Development Manager, expressed his gratitude to staff for their work and support the recommendations as stated.

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to approve the preliminary plat portion of the application submitted by Target Corporation, 3800 Lexington Avenue. Said approval is subject to the following:

1. The Final Plat shall include a sidewalk easement along Red Fox Road and public drainage and utility easements as required by the Public Works Director.
2. The applicant shall apply for a Vacation, to vacate the existing easements that are no longer required as part of the development site. The Vacation Application shall be submitted concurrently with the Final Plat.
3. The applicant shall execute an agreement between the Lots 1 and 2 addressing the shared driveway, access, signage and maintenance. Said agreements shall be submitted to the City Attorney for review and approval prior to the City's release of the Final Plat.
4. Executed and recorded copies of the required agreements shall be submitted to the City prior to the issuance of a building permit on Lot 2.
5. Outlot A shall be conveyed to the City.
6. A sign easement that encumbers the existing Target Sign on Lot 2 shall be conveyed and benefit Lot 1. This easement shall be submitted to the City Attorney for review and approval prior to the release of the Final Plat for recording.
7. The Final Plat shall be submitted to the City for approval with the Final Stage PUD application.

This approval is based on the following findings of fact:

1. The proposed land use is consistent with the designated commercial land use in the Comprehensive Plan.
2. The proposed subdivision complies with the subdivision standards identified in the City's Development Code.
3. The subdivision of the property benefits the City, as the Outlot A will be conveyed to the City for stormwater ponding associated with the Red Fox Road construction project.

ROLL CALL: Ayes: Quigley, Wickstrom, Martin
Nays: None
Abstain: Johnson

CONSIDERATION OF ORDINANCES 908 AND 909 IMPLEMENTING ELECTRIC AND GAS SERVICE FRANCHISE FEES ON XCEL ENERGY

Mayor Martin explained that establishment of franchise fees have been discussed for four or five years. Under the existing agreement, this revenue tool has been available to the City for at least 20 years. Additional revenue is needed now because important renovation park projects and trail improvements have had to be postponed repeatedly because of cost increases and funds not being available.

The first ladder truck replacement many years ago was an exorbitant \$500,000; today such a replacement would be \$750,000. Repainting water towers used to be in the \$300,000 range; today it is closer to \$750,000. These high cost increases are seen in all replacements. Some park equipment is antiquated and even dangerous. The City has also seen decreased revenue. During the high growth phase, public use dedication fees were collected from developers that were used for park improvements. As the City is built out, those fees are no longer collected. For the past 25 years, the City received \$110,000 in tall tower fees from the radio and TV stations located in Shoreview that were also dedicated for park improvements. This year, the agreement with Telefarm expired, and the City will no longer be receiving tall tower fees. The Local Government Aid formula is such that Shoreview receives no state aid. The City has no control over the loss of these revenues that represent hundreds of thousands of dollars.

As parks and the Community Center age, updating amenities is required. One of the Council's primary goals is to attract young families. This is good for the community and for the school district. Young families look at parks and trails when moving to a community. These facilities and services need to be retained and improved for future generations.

Presentation by Finance Director Jeanne Haapala

Franchise ordinances and agreements with Xcel Energy have included franchise fees for at least 20 years. The fee could be up to 5%. Xcel's recommendation is a preference for a flat fee. Staff agrees this would be consistent with City objectives and fair to all residents. An amount of 2.5% is being considered.

Advantages to implementing franchise fees include:

- Creates a new revenue source
- Generates a substantial amount of revenue
- Diversifies the City's revenue stream, which is favorable to the City's bond rating
- Distributes the cost equally to all homeowners
- Reduces the pressure on the property tax levy
- Increasing funding for projects, such as building improvements, park upgrades and renovations, trail extensions, Commons Master Plan, Community Center building improvements

Approximately 72 cities charge franchise fees the majority of which use a flat fee rate. The flat fee would not change regardless of energy usage. A change in the amount of the fee would require a new ordinance adopted by the City Council. The flat fee proposed would be an

increase to all residential homeowners of \$3.80 per month on their utility bill--\$2.50 for electric and \$1.30 for gas. Commercial properties would be somewhat different.

Some would promote raising this level of funding through property taxes because it would be an income tax deduction. However, the total cost on property taxes would vary depending on the value of a home. The break even home value would be a home at \$134,000. That homeowner would pay the same under either an increase in property taxes or a franchise fee. This means that 91% of homes in Shoreview would pay less using a franchise fee; only 9% would pay more. As the value of the home increases, the disparity increases. A home valued at \$205,000 would pay over \$69 with a property tax increase and \$45.60 with the franchise fee approach. A home valued at \$500,000 would pay \$45.60 with a franchise fee but \$169.85 with a property tax increase. A franchise fee would be \$45.60 per year regardless of home value.

The problem with using the property tax system is that individual property values are constantly changing. Property values in specific classes change as well as in relation to all other classes. All of these changes are unpredictable with future legislatures.

Councilmember Quigley noted that the repository for the franchise fees would be a Community Investment Fund, which is further transparency of accountability for this new revenue.

Ms. Collette Jurek, Manager and Communications and Economic Development for Xcel Energy, stated that franchise fees would be in effect until the Council would make a change or until the franchise agreement expires with the company.

Councilmember Wickstrom asked for clarification on franchise fee rates for commercial properties. **Ms. Jurek** stated that different rate classifications are on file with the Public Utilities Commission. Commercial business rates depend on energy usage and rate structure.

Mayor Martin opened the discussion to public comment.

Mr. Rick Mons, 4685 Victoria Street, stated that he is completely in support of this action. The revenue need is dire, especially with the loss of development activity. This is a reasonable way of recovering revenue. There is a lot of need in the City's park system. It is important for Shoreview to retain its charm and attraction for new families. The parks are a crown jewel of Shoreview that needs to be retained. If there were another way to collect park user fees, he would support it. However, that is not an option and this is the next best way to cover these costs. He urged Councilmembers to support the proposal.

Mr. Kent Peterson, 1070 Bucher Avenue, stated that he has been a member of the Parks and Recreation Commission for 12 years and the Bikeways and Trails Committee prior to that. There has been much frustration by the lack of funding to complete the trail segments in the City's plan that has been in place for over 25 years. Most of the parks were designed in the 1960s and 1970s. Families really appreciate good parks with interactive playground equipment. The franchise fee will not be the overnight solution, but the revenue may allow all parks to be renovated over the next 20 years. He cautioned how broadly this revenue is used and not use it for items where there are user fees.

Mr. Jeff Gross stated that he and his family moved here for the parks and Community Center. Bucher Park was wonderful and now it is being torn down for renovation. The trails are also wonderful. What is wrong is driving around cyclists not using the trail. Bikers are not using the trails that are provided. There are also graffiti signs. The City has enough money and the right things are not being done, such as fixing graffiti signs. The City does not need more money.

Mr. Jim McBreen, 484 Lake Wabasso Court, stated that this is the first time he has felt the Council is proceeding down a wrong path. The utility bills are not sensitive to a household's ability to pay. This is a regressive tax with homeowners in a \$100,000 home paying the same as someone in a \$500,000 home. That is unfair. This fee on utility bills is outrageous. He supports parks, but this is a bad way to raise money. It is a tax on non-discretionary expenses. This charge has nothing to do with the franchise but is purely semantics. It is a charge on a utility bill collected by Xcel and handed over to the City. Xcel is being used as an agent to collect for Shoreview. A 2.5% increase is approximately \$45 per year per household. That \$45 is more important to the homeowners than the \$875,000 the City would receive. This is ethically incorrect because of the impact to lower income families who are receiving assistance on their energy bills. If a referendum were posed to the voters in Shoreview, he does not believe it would come close to passing.

Ms. Joyce Thompson, 4746 Victoria Street, stated that she is on a fixed income. City, state and the federal government all want another piece of her income. The City needs to live within a budget. Prices keep rising, but people are not getting raises. Taxpayers cannot afford to keep paying more.

Ms. April King stated that she lives on the corner of Dale and Mound. As a member of the Twin Cities North Chamber of Commerce, they have requested her to state their opposition to franchise fees. This is not good policy to raise revenue. As a resident of Shoreview, she does not believe use of the parks justifies this fee. Her husband's company has frozen income for the fourth time in six years. As an attorney, she has not raised her rates in five years. Her family is managing its expenses with rising costs on the same budget they have had for the last four years. The City is going to have to do the same. Attracting young families can be done with well managed finances. It was foreseeable that the tall tower fees would expire and that the City would reach full development and lose licensing fees. Plans are needed to run a tighter budget and improve parks with current revenue.

Mr. Tom Lemke, 5570 Schutta Road, stated that the quality of Shoreview parks, roads and Community Center keep him as a resident in Shoreview. He supports the fee. Neighboring communities with poorer roads pay through the nose because there is no plan in place. He favors good parks and that was a selling factor in the purchase of his home. There are 28 other metro cities also collecting franchise fees. He would guess that moving to another community would mean besides a franchise fee also higher property taxes. Shoreview is rated in the lower one-third in tax levies for the metro area because of the foresight and planning done by the City in the past. Shoreview is not doing anything that other cities are not doing. He would like to see the revenue put in a dedicated fund and not into general operations. Trails are multi-use and not dedicated for bicycles. He urged support for the franchise fee.

Mr. David Phillips, 5825 Oxford Street, stated that not only will the parks be updated but many expensive amenities are planned to be added that only a few will use. Adding this fee onto the utility bill has nothing to do with utilities. To maintain the parks is one cost but to add amenities is something else. The money the City has could be used more effectively. He urged reconsideration of how the City's money is being used, cut expenses and maintain what the City has.

Council Discussion

Mayor Martin stated that she does understand the argument put forth of raising money on property taxes and not on a franchise fee. She does not believe there is a right or a wrong on this issue. It is a fairness issue as much as anything. Even if residents do not use the parks, the value of their home is increased with quality parks. A selling point for many homes in this area is proximity to the Shoreview Community Center. As for bike trails, there are parts of Victoria in southern Shoreview with no shoulder for bikes. Shoreview has a basic level of service plan for bikes that was developed in the 1970s and is still not completed. The City does work hard to remove graffiti and potholes. She urged Mr. Gross to email City staff on the locations he was speaking about.

Mayor Martin further stated that she wishes there were other alternatives to raising this amount of money other than a franchise fee. She agreed that it does not make a lot of sense to put it on the utility bill. The City has no other option than to raise the money on property taxes. Of other cities the size of Shoreview, the City has the fourth lowest tax rate. This seemed like a fair approach. As for an income tax deduction, \$45 would not mean much to anyone, but that amount shared equally across the community is significant. Several communities have raised money for this purpose by issuance of bonds. Roseville just approved a \$19 million bid to address the neglected condition of their parks. Coon Rapids is doing a \$17 million bond referendum. This is not to build a lot of new structure but to provide good maintenance and basic updates of their park system.

Councilmember Quigley stated that the City has always worked hard on financial planning. A number one goal is financial stability. Revenue comes from taxes, assessments and fees. It is an annual exercise to keep the largest amount of revenue through taxes low. Assessments are low because of the City's assessment policy to not assess twice for road improvements. Staff has worked hard on staffing and economies and efficiencies to keep expenses in a proper ratio. Residents have stated that they favor financial stability and maintaining the services and amenities offered in Shoreview. The money has to come from somewhere. He feels this action is justified, although an onerous addition to City policy.

Councilmember Wickstrom stated that she has not always been in favor of franchise fees. However, she has recently changed her mind when she realized the amount of money that people would have to pay for park improvements. This is a fairer way for a vast majority of people in the community. This money is for something residents will appreciate and use. She does not want Shoreview to have to issue a massive bond referendum to pay for these costs. She agreed

that there should be a wise policy in place so that everyone knows where this money is being used. It is her hope that the fee will stay flat and not ever have to be raised.

Mayor Martin added that the fund to be created, the Community Investment Fund, would be structured to establish a fund balance that will generate money in the future. Responding to the comment about non-discretionary expenses, taxes are also non-discretionary, which would be the only other alternative to raise this amount of money. What is convincing to her is that 90% of homeowners would pay more under raising taxes. The way the City handles infrastructure replacements is considered a model for other cities. The City's AAA bond rating is partially based on the conscientious decisions for future costs. It is also based on diversification of revenue. Tax revenue can be changed by the legislature and is unpredictable.

Councilmember Johnson stated that as she looks at the City's future, her children and grandchildren will use these services. What is decided today sets a viable plan for the future. She commended Ms. Haapala and staff for their dedication to researching issues that are financially viable for the City. While she understands that many are facing financial hardship, the investment today needs to be made for the City's future.

MOTION: by Councilmember Quigley, seconded by Councilmember Johnson to adopt the attached ordinance number 908 implementing an electric service franchise fee.

ROLL CALL: Ayes: Quigley, Wickstrom, Johnson, Martin
Nays: None

MOTION: by Councilmember Quigley, seconded by Councilmember Wickstrom to adopt the attached ordinance number 909 implementing a gas service franchise fee.

ROLL CALL: Ayes: Wickstrom, Johnson, Quigley, Martin
Nays: None

Mayor Martin thanked all who attended and shared their thoughts and comments. She stated that this has been a difficult decision for the Council and one taken with great responsibility.

ADJOURNMENT

MOTION: by Councilmember Johnson, seconded by Councilmember Quigley to adjourn the meeting at 8:38 p.m.

VOTE: Ayes - 4 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 17th DAY OF JUNE 2013.

Tom Simonson, Acting City Manager